

Message Text

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ACTION STR-04

INFO OCT-01 EA-07 IO-13 ISO-00 TRSE-00 COME-00 CIAE-00

EB-07 INR-07 LAB-04 NSAE-00 SIL-01 AGRE-00 FEA-01

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E.O. 11652: N/A

TAGS: ETRD, GATT, JA

SUBJECT: THROWN SILK-SECTION 301 ACTION

REF: (A) STATE 163450

(B) TOKYO 7711

SUMMARY: MITI HAS CONFIRMED ITS INTENTION OF PROCEEDING WITH ITS NEW PRIOR PERMISSION SYSTEM FOR CONTROLLING THE ENTRY OF THROWN SILK INTO JAPAN. WHILE NOT SURPRISED BY OUR 301 ACTION, MITI DOES NOT YET SEEM TO HAVE A CLEAR RESPONSE TO IT: PRESSURE FROM JAPAN'S SILK INDUSTRY STILL SEVERELY LIMITS THE GOJ'S ABILITY TO BACK OFF FROM ITS POSITION OF TIGHTLY CONTROLLING THROWN SILK IMPORTS. HOWEVER, MITI HINTED AT THE POSSIBILITY OF A "CONCESSION" ON U.S. THROWN SILK IF THEIR IMPRESSION THAT PROMPTNESS WOULD BE MORE IMPORTANT THAN QUANTITY IS CORRECT. WE WOULD APPRECIATE DEPARTMENT GUIDANCE ON THIS POINT. END SUMMARY.

1. EMBOFF CALLED ON HARADA AT MITI (TRADE DIV., CONSUMER GOOD

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IND. BUR.) TO DISCUSS MITI'S NEW PRIOR PERMISSION SYSTEM FOR REGULATING THROWN SILK IMPORTS (REFTEL B) AS WELL AS PENDING GATT ACTION AND RETALIATION MEASURES AGAINST SILK IMPORT RESTRICTIONS UNDER SECTION 301 (REFTEL A). HARADA SAID THAT WHILE PLANS FOR THE PRIOR PERMISSION SYSTEM HAVE NOT YET BEEN MADE PUBLIC, ITS PROVISIONS ARE STILL THOSE DESCRIBED IN REFTEL B. HARADA SPECIFICALLY REJECTED U.S. INDUSTRY ASSERTIONS THAT

PLACING THE "NON-TRADITIONAL" SHARE OF THROWN SILK IMPORTS ON AN OPEN MARKET WOULD GIVE EXPORTS FROM HONG KONG AND MACAO AN UNFAIR ADVANTAGE. HOWEVER, WHEN EMBOFF PURSUED THIS POINT, HARADA'S ONLY RESPONSE WAS THAT THE U.S. INDUSTRY'S "COMPETITIVE STRENGTH" SHOULD BE SUFFICIENT TO OVERCOME THE ADVANTAGE OF CHEAPER TRANSPORTATION COSTS HELD BY THROWN SILK EXPORTS FROM OTHER EAST ASIAN AREAS.

2. HARADA ASKED FOR CONFIRMATION OF USG ASSURANCES THAT NO RETALIATION MEASURES WOULD BE TAKEN UNTIL GATT PROCEDURES HAVE BEEN IMPLEMENTED. HE SAID THAT HE HAD JUST BEEN VISITED BY A DELEGATION OF SILK PIECE GOOD MANUFACTURERS AND DISTRIBUTORS WHO PROTESTED THE USG'S PROPOSED RETALIATION ON THEIR PRODUCTS. WHILE HARADA SYMPATHIZES WITH THEIR CLAIM THAT BEING MADE TO PAY FOR PROBLEMS INVOLVING SILK MANUFACTURERS IS UNFAIR, HE SAID THAT SINCE THEIR "INFLUENCE" IS NOT EQUAL TO THAT OF THE SILK INDUSTRY ITSELF, THE GOJ IS UNLIKELY TO TAKE ACTION ON THEIR BEHALF.

3. HARADA THEN TOLD EMBOFF HE IS UNDER THE IMPRESSION THAT IF THE GOJ WERE TO MAKE A CONCESSION (HE AVOIDED THE WORD "QUOTA") ON THROWN SILK IMPORTS, THE PROMPTNESS OF SUCH A MOVE WOULD BE MORE IMPORTANT THAN THE ACTUAL QUANTITY OF THROWN SILK IN THE CONCESSION ITSELF. EMBOFF REPLIED THAT WHILE HE COULD NOT PROVIDE AN AUTHORITATIVE ANSWER TO SUCH A QUESTION, PROMPT ACTION WHICH DEMONSTRATED THE GOJ'S GOOD FAITH WOULD OBVIOUSLY BE A STEP IN THE RIGHT DIRECTION. EMBOFF URGED HARADA TO MAKE THE CONTENTS OF LIMITED OFFICIAL USE

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MITI'S PRIOR PERMISSION SYSTEM PUBLIC AS SOON AS POSSIBLE.

4. COMMENT: RECENT EDITIONS OF SEVERAL JAPANESE PAPERS HAVE CARRIED ARTICLES ON THE USG'S 301 ACTION, PREDICTABLY EMPHASIZING THE "DOUBLE PUNCH" OF A GATT HEARING AND RETALIATION ON PIECE GOODS. WHILE THE GOJ WAS CERTAINLY NOT SURPRISED BY OUR 301 ACTION, THEY DO NOT YET APPEAR TO HAVE A CLEAR RESPONSE TO IT. UNDER CONTINUED PRESSURE BY JAPAN'S SILK INDUSTRY, MITI IS UNLIKELY TO BUDGE -- AT LEAST OPENLY -- FROM ITS PREVIOUSLY STATED POSITION ON SILK IMPORTS. HARADA WOULD OBVIOUSLY LIKE TO BE MORE HELPFUL, BUT SEEMS PESSIMISTIC OVER CHANCES FOR A MUTUALLY SATISFACTORY SOLUTION ON THROWN SILK. STILL, BY ASKING US WHETHER WE MIGHT ACCEPT LOWER QUANTITIES ON IMPORTS IN RETURN FOR PROMPT ACTION ON WHAT WOULD AMOUNT TO THE ALLOCATION OF A QUOTA, HARADA DID INDICATE SOME FLEXIBILITY IN THE GOJ'S POSITION. WE WOULD APPRECIATE DEPARTMENT GUIDANCE ON THIS POINT. MANSFIELD

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